



CENTRAL ELECTRIC COOPERATIVE, INC.

Quadrennial Energy Review Public Meeting #5: Electricity Transmission, Storage and Distribution

**Statement for the Record
Dave Markham
President and CEO of Central Electric Cooperative, Inc.
President of Oregon Rural Electric Cooperative Association**

July 11, 2014

Thank you for the opportunity to participate in this important forum. I am Dave Markham, President & CEO of Central Electric Cooperative, Inc. (CEC), a distribution cooperative delivering electricity to rural electric consumers over a 5,300 square mile service territory in Central Oregon. I am also the President of the Oregon Rural Cooperative Association (ORECA), the organization that represents Oregon's 18 consumer-owned electric cooperatives. Both CEC and ORECA are members of the National Rural Electric Cooperative Association (NRECA), the national service organization that represents the interests of more than 900 member cooperatives in 47 states providing electricity to 42 million people over 75 percent of America's landmass.

More than 75 years ago, electric cooperatives brought electricity independence to rural America, delivering power to farms, ranches and small communities, serving those who large power companies would not. The business model of an electric cooperative is uniquely different from that of an investor-owned utility, or an IOU. If you receive electric service from a cooperative, you are both the consumer that is served and an owner of the company that serves you. Co-ops are democratic, local organizations controlled by the consumer-owners who participate in setting policies and making decisions. The local control and local decision making are the key reasons why electric co-ops are so efficient delivering power and in many instances are able to provide rates lower than IOUs.

It is important to note that nationally the average sized IOU serves 540,000 consumers while co-ops' serve 22,800 consumers on average. IOUs own 48 percent of the miles of distribution line across the country serving an average of 34 consumers per mile of line. Co-ops own 42 percent of the miles of distribution line across the country, serving an average of 7.4 consumers per mile.

Electric co-ops place a high priority on safety, reliability and affordable rates. However, achieving these objectives has become more difficult than it needs to be. This is because a significant portion of co-ops' infrastructure across the country is located on federally managed lands due to the vast size of our service territories. For instance, a co-op neighboring CEC serves 3,900 consumers over a 20,000 square-mile service territory – roughly the size of the state of West Virginia. For CEC, 56 percent of our service territory is on BLM or Forest Service lands.

In May, I testified at a hearing of the House Committee on Natural Resources in Washington, D.C. on the increasing challenges and lengthy periods of time it takes electric co-ops to secure approval from federal land agencies to perform routine maintenance, upgrades or replacement of power lines and poles. These delays leave co-op leaders concerned about the safety and reliability of our electrical systems and, in some cases, even threatens our ability to continue providing electric service to rural areas. I also expressed serious concern over the inefficiency of our federal land agencies and the need to work collaboratively with electric co-ops to develop common sense reform to current practices. It is critical that we remove the government impediments to safeguarding and improving America's electric infrastructure.

Renewable Energy

Across the nation, there is great enthusiasm for increasing the use of renewable energy and reducing our dependence on foreign oil. Electric cooperatives strongly support renewable energy and have an enviable track record of environmental stewardship. We integrate the best practices for incorporating environmental protections in the areas of construction, operation and maintenance and seek to improve environmental awareness of our employees and the public.

Most renewable energy is produced in rural areas, which place co-ops at the forefront of local renewable energy developments either through providing energy expertise or facility investment and ownership. Electric co-ops recognize that their consumer-owners and their communities can benefit from renewable energy projects, resulting in economic development, stronger economies and job creation. Across the country, co-ops own or purchase 5.9 gigawatts of renewable energy, in addition to approximately 10 gigawatts of preference power contracts with federal hydropower facilities. Co-ops also own or purchase 10 percent of U.S. renewable energy capacity and 95 percent of NRECA's distribution co-ops offer renewable energy programs to 40 million consumers.

For nearly 20 years CEC has been involved in a landfill-to-gas electricity biomass plant that takes the methane gas from decomposing garbage and turns it into a cost effective and environmentally friendly source of electricity. This plant consistently ranks as one of the most efficient plants of its kind in the nation.

CEC is currently in the design phase of a Community Solar project that will provide our members with additional options for renewable energy. There are many benefits of a voluntary Community Solar program. Participating in Community Solar requires no upfront costs to install solar panels on a roof and no maintenance or repair costs. This program is also an excellent opportunity for renters or those whose homes are not suitable for a rooftop system to support the growth of solar energy in Oregon.

Unfortunately, the cost of renewable energy is often higher than conventional generation. Incentives such as the Investment Tax Credit and Production Tax Credit have been favorable to the taxable status of IOUs by reducing the cost of their renewable energy projects. Because cooperatives are not-for-profit they cannot directly take advantage of the income tax credit incentives that have benefitted the IOUs.

Cooperatives have been able to utilize Section 1603 of the American Recovery and Reinvestment Act (ARRA) of 2009 often referred to as New Clean Renewable Energy Bonds (New CREBs). Section 1603 is grant program through the Department of Energy that reimburses eligible applicants for a portion of the cost of installing renewable energy sources. New CREBs may be issued by public power utilities, electric cooperatives and local, state and tribal governments to finance renewable energy projects.

I urge the Administration and the Department of Energy to continue to seek incentives that support electric co-ops' efforts to deploy renewable energy. Furthermore, I urge the Department of Treasury to re-deploy all unused New CREB allocations.

Energy Efficiency & Advanced Metering Infrastructure

Electric cooperatives are innovators and have a history of helping consumers control their energy costs through education, efficiency and demand side management programs. Co-ops began promoting energy efficiency and conservation decades ago, long before it became mainstream. Today, 96 percent of co-ops across the country have energy efficiency programs in place and 70 percent offer financial incentives to promote greater energy efficiency.

Co-op leaders understand that energy efficiency opportunities are available on both sides of the meter, and demand side management is a means to address the challenge of both the growing demand and rising costs of electricity. In fact, co-ops provide 10 percent of retail electricity sales across the nation but are responsible for 20 percent of actual peak reduction.

Between 2001 and 2011, electric co-ops in Oregon helped their consumers save more than 343 million kilowatt hours of electricity through the installation of energy efficiency measures. That is almost the equivalent amount of electricity needed to supply every residential home in CEC's service territory annually. Over that same period of time, consumer-owned utilities in Oregon assisted their consumers with saving 18 percent more energy than consumers served by the Oregon Energy Trust which represents the IOUs.

Cooperatives continue to show the largest penetration of Advanced Metering Infrastructure (AMI) with 31 percent compared to 23 percent for the country as a whole. The data these meters deliver is used to improve system reliability, streamline electrical system performance and promote end-user efficiency. In 2009, CEC was the recipient of a \$4.6 million DOE Smart Grid Investment Grant made available through ARRA. The deployment of smart meters has allowed CEC's consumers to grow their knowledge by monitoring their energy use and costs on a daily, weekly, monthly and annual basis. CEC also offers a pre-paid electric service that lets consumers pay for their electricity before they use it, on their schedule and their budget.

In Oregon more than 80 percent of electric co-ops' meters are smart meters. AMI also reduces electric co-ops' carbon footprint. For example, at CEC, the deployment of smart meters eliminated 160,000 vehicle miles traveled annually. It is clear that electric co-ops are on the vanguard of energy efficiency and deployment of Advanced Metering Infrastructure. It is also clear that energy efficiency mandates or other command and control measures in state capitals or Washington, D.C. are unnecessary and will only undermine local control. It is through these

local relationships that co-ops are able to introduce such changes in ways that build members' understanding along with their support.

BPA Mission, Independence & Cooperative Partnership

It is hard to overstate the integral role the Bonneville Power Administration (BPA) plays in the economic vitality of the Pacific Northwest. By law, the agency's first mission is to deliver to the region's nonprofit, consumer-owned electric utilities the clean, renewable hydropower that is generated at federal dams. BPA's fuel mix summary for 2013 shows their power supply resources are 95 percent carbon emission free. Additionally, BPA helps advance deployment of energy efficiency and renewable generation, helps keep rates affordable for residential and small farm customers of the region's investor-owned utilities, maintains the reliability of the electric grid, and protects regional fish and wildlife resources.

Recent hiring process problems at BPA prompted the Department of Energy (DOE) to suspend certain delegated authorities, change the reporting structure for BPA's General Counsel, and otherwise implement several top-down directives. DOE's actions created considerable concern that the historic and statutorily based independence of BPA would erode, and the regional decision-making process would suffer.

We are encouraged that, in response to efforts from the Northwest congressional delegation and regional stakeholders, DOE Secretary Moniz has taken steps to clarify the issue and provide assurances that BPA's independence would be respected and DOE would not seek to usurp important operational and policy decisions.

Conclusion

There is no doubt it is an exciting time to be in the electric utility industry. More than 75 years after President Franklin Roosevelt helped electrify rural America, technology has advanced beyond what FDR could ever have imagined. And, electric cooperatives will help lead with emerging technologies, if we are not burdened by regulation or mandates.

During my testimony before the House Committee on Natural Resources, I was asked a question about the financial impact annually to CEC due to government regulations. In 2013, that number was slightly more than \$20 million or \$632 per meter served by CEC. Government regulation can result in significant costs which ultimately are paid by our consumer-owners through higher electric rates. If even a portion of that \$632 could be returned to the local economy our communities would be in a much stronger financial position.

I urge the DOE to work closely with America's electric cooperatives to gain an understanding of how your policies, no matter how well intentioned, can financially impact our consumer-owners. Dialogue and interaction such as this forum provide opportunities to seek out and pursue the best solutions for everyone.

Thank you for the opportunity to participate on this panel.